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Chief, Administrative Services

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Office of the General Counsel

Insurance for Private Automobiles

1. Reference is made to the attached memorandum to your office from the Chief, Transportation Division, dated 6 July 1951, concerning the possibility of purchasing a blanket insurance policy to cover privately-owned automobiles driven to New York by Transportation Division personnel. The automobiles are owned by CIA employees assigned to overseas duty, and are transported to New York for subsequent commercial shipment. You have requested our concurrence in the plan to purchase insurance.

2. Perhaps our remarks should be prefaced by the following statement of the Comptroller General concerning the Government's policy on the purchase of insurance:

"...It is the general policy of the Government to assume its own risks of loss, upon the theory that the magnitude of the Government's resources makes it more advantageous for the Government to carry its own risks than to have them assumed by private insurers at rates sufficient to cover all losses, to pay their operating expenses (including agency or brokers' commissions) and to leave such insurers a profit... Thus, it has been held consistently that appropriated moneys are not available for the payment of insurance premiums on Government-owned property in the absence of specific statutory authority for the payment of such premiums." (21 Comp. Gen. 928, at 927.)

This statement of policy would seem to preclude concurrence with your request.

3. There are reasons sufficient for the Government's purchase of insurance in certain cases, but none are apparent here. As pointed out in the attached memorandum, litigation would cost CIA some "embarrassment," but this would not be considered an adequate reason for purchase of a blanket insurance policy. The Agency must take this risk hundreds of times daily -- every time a CIA vehicle is being driven.

4. We realize that insurance has been purchased for some Agency vehicles, but this always has been done for security reasons, so far as this office knows. In other words, it has been

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done to provide a secure method of settling claims in case of accident. Security is, we believe, an adequate reason for the Agency to purchase insurance on its own automobiles. However, we know of no security factor which is sufficient basis for the use of Government funds to purchase insurance for privately-owned automobiles being driven to New York. Perhaps I & S will have some helpful comments in this respect.

5. As an alternate solution, perhaps CIA should establish a procedure whereby each employee must have an insurance policy on his own automobile, as a prerequisite to acceptance for overseas shipment, with the policy to remain in effect during the entire period CIA has possession of the automobile. The policy could be obtained directly by the employee, or through the Agency, provided the employee pays for it.

6. At the present time, most automobile owners carry some sort of insurance, and the same is true of our employees who are transferred overseas. However, someone in the Agency has been advising such employees to cancel their insurance the instant CIA takes possession of the automobile. This is done in order to obtain a refund from the insurance company involved, but a short delay in cancellation usually would provide protection during the period CIA transports the automobile, and still permit approximately the same refund.

7. It is the opinion of this office that certain additional protection should be provided for the Government. For example, we believe each employee who delivers an automobile to CIA for overseas shipment should execute an agreement assuming the risk of loss, damage or destruction of the automobile while it is in CIA's possession. Possibly this agreement should contain a provision to cover damage to third parties while the automobile is in CIA's possession. This would encourage the purchase of insurance by the employee, and perhaps would solve the problem.

OCC/JJE/mch
Enclosures:

Memo dtd 6 July 1951 to
Chief, Adm. Serv. fr Chief Trans. Div.
re. subject

Distribution:

Orig & 1 - Addressee

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